

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER

AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
BEFORE THE
HOUSE COMMITTEE ON FINANCE
ON
FEBRUARY 21, 2019, 1:30 P.M.
CONFERENCE ROOM 308, STATE CAPITOL

H.B. 356
RELATING TO CLAIMS AGAINST THE STATE

Chair Luke, Vice Chair Cullen, Members of the Committee, thank you for the opportunity to testify on H.B. 356. The Department of Accounting and General Services supports the intent of H.B. 356 (the measure) and offers the following comments.

The measure intends to increase the settlement and payment authority of the Risk Management Office (Office) as of July 1, 2020 by using the United States Department of Labor Consumer Price Index (CPI). It also requires the Office to publish and notify the legislature and attorney general of the adjusted amounts by June 15th of every year thereafter. In addition, the Office shall prepare, for each fiscal year, the report of all claims arbitrated, compromised or settled based on the adjusted amount determined by the comptroller.

When applying the methodology and applicable CPI's outlined in the measure from 2014 (base year) to 2019, the average annual change in settlement authority was insignificant, averaging \$190 and \$286 per year for tort and automobile claims, respectively. Specifically, the Comptroller's claim's settlement amount from 2014 through 2019 would range from \$10,000 to

\$10,954 for tort claims and \$15,000 to \$16,431 for auto claims over the six (6) year period.

Therefore, the six (6) year increase would be \$954 for tort claims and \$1,431 for auto claims.

Any claims above the Office's settlement and payment authority is handled by the Attorney General's office. Annually, the Attorney General submits their list of settlements to the Legislature for appropriations which might include tort and auto claims. As a result, the Office also analyzed the claims paid in the Attorney General's Settlement Acts for the five (5) year period from 2014 through 2018. The average number of claims on their list is 26 with an average total value of \$8.7 million per year. It was found that even if the Comptroller's settlement authority for tort/auto claims were raised from \$10,000/\$15,000 to \$25,000, the average annual number of claims (tort and auto) to be eliminated from the Attorney General's Settlement Acts would be only four (4) with an average annual value of \$64,555. Although there will not be significant operational changes for the Department of the Attorney General and the Department of Accounting and General Services, no significant benefits are anticipated for the general public.

Finally, the measure does not address negative changes to the CPI index and how the methodology would reduce the Comptroller's settlement authority for negative changes. For example, in 1998, the CPI index was -0.2%.

Thank you for the opportunity to testify on this matter.